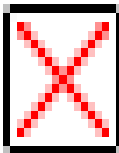


An un-inspiring RoDTEP Scheme

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FOR

all exports being made outside India, the benefit of the Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme was made operational w.e.f. 1st January 2021, however, the actual scheme and the applicable rates (benefit) therein were yet to be notified. After a long wait of more than six months, on 17th August 2021 the Central Government has finally [issued](#) the much-awaited [RoDTEP Scheme](#). For the uninitiated, this scheme seeks to replace the earlier Merchandise Exports from India Scheme (MEIS) Scheme and intends to provide rebate / refund of duties / taxes (central, state and local) borne by an exporter which are currently un-refunded. The benefit under this scheme is based on the central idea that 'goods should be exported and not taxes', so that the Indian manufactured goods are competitive in the foreign markets.

Under this scheme, the exporter is entitled to the benefit of duty credit scrips, which are issued equivalent to a certain specified percentage of free on board (FOB) value of exports made. These duty credit scrips are capable of being used for payment of Basic Customs Duty (BCD) and are freely transferable. The rates (or percentage) at which these duty credit scrips will be issued have also been notified, which will be revised / reviewed periodically by the RoDTEP Committee.

This scheme is being notified by the Department of Commerce (Ministry of Commerce and Industry) and will be administered by the Department of Revenue (Ministry of Finance).

This scheme has been floated by the Central Government after a lot of deliberations and to overcome the issues flagged by the USA before the WTO in respect of the existing MEIS Scheme. However, the scheme is uninspiring and completely lackluster on several counts.

We have highlighted few such points below, which are apparently making this entire scheme unappetizing for the exporters:

Low Rates (%) of benefit

1. Under the earlier MEIS Scheme, the rate of benefit was either 3%, 5% or 7%. However, in the new RoDTEP Scheme, very low rates of benefit have been provided. The highest rate is 4.3% and the lowest rate prescribed is 0.01%, with majority of products (more than 50%) being covered under the category 1% or less. Thus, there is a substantial reduction in the rate of benefit being provided to the exporters under the new RoDTEP Scheme. In fact, such low rates have taken the entire exporter industry by surprise, who were majorly of the opinion that the rates of benefit will be at or about the same level as MEIS. Considering such low rates representation have started pouring in (or are in pipeline) requesting the Central Government for an increase in these rates of benefit.

No benefit on certain categories of products

2. In respect of products falling under Chapter 28, 29, 30, 61, 62, 63, 72 and 73 of Schedule I to the Customs Tariff Act, 1975, benefit of earlier MEIS scheme was available, however the benefit of this RoDTEP scheme has not been extended to products falling under these chapters.

No clarity for Advance Authorization / DFIA holder, EOUs and SEZs

3. In the earlier MEIS scheme, advance authorization holder, DFIA holder, EOUs and SEZs were entitled to benefit of duty credit scrips on their physical exports outside India. However, in the new RoDTEP Scheme, as of now, they are ineligible to avail the RoDTEP benefit. In this regard, however, it has been indicated that at a later date they may also be allowed the benefit of this RoDTEP scheme, if the same is

recommended by the RoDTEP committee. This itself takes out a lot of exporters from the purview of the RoDTEP Scheme which were covered earlier.

4. Further, such exclusion also does not make any sense logically as even the Advance Authorization / DFIA holder, EOUs and SEZs suffer a lot of duties / taxes, which are currently not refunded to them, just like a normal DTA unit (Domestic Tariff Area Units). In respect of such un-refunded duties / taxes, both the normal DTA unit and an Advance Authorization / DFIA holder, EOUs and SEZs are at the same level. However, for there exclusion no logic or reasoning is forth-coming.

Additional Ineligible Exporters / Supplies

5. Additional categories of exporters / supplies have been excluded from the benefit of this new RoDTEP Scheme, which were not excluded from the earlier MEIS Scheme:

- a. Export of products which are restricted / prohibited for export under Schedule 2 of Export Policy in the ITC(HS);
- b. Products manufactured partly or wholly in a customs bonded warehouse (which are registered under Section 65 of the Customs Act, 1962) - Therefore, units registered and operating under the Manufacture and Other Operations in Warehouse (No. 2) Regulations, 2019 will be ineligible to avail this benefit;
- c. Exports from non-EDI ports “ In the earlier MEIS scheme, benefit was made available even in respect of non-EDI ports. However, under this new RoDTEP scheme it has been made a part of the ineligible category, therefore no RoDTEP benefit will be available on export made from non-EDI ports;
- d. Goods which have been taken into use after manufacture “ This category seeks to exclude RoDTEP benefit on export of old and used goods outside India.

RoDTEP scrips cannot be used for payment of composition fee / customs duty in case of EO shortfall

6. Duty credit scrips issued under the MEIS scheme, were *inter alia* eligible to be used for payment of:

- a. composition fee, payable under the FTP for extension in validity / export obligation (EO) period under the advance authorization and EPCG scheme;
- b. customs duty in case of shortfall in EO competition under the advance authorization and EPCG scheme.

7. However, the duty credit scrips issued under the RoDTEP scheme cannot be used for payment of the above.

No RoDTEP benefit in case of exports through courier and foreign post offices

8. Under the earlier MEIS scheme, benefit was available on export of certain specified goods (such as handicraft, handloom items, books, etc.) made through the courier mode or through foreign post office. However, under the RoDTEP scheme, no benefit has been extended to such exports made through the courier mode or foreign post offices.

9. On account of the above factors, this new RoDTEP scheme is turning out to be an un-inspiring scheme, which a lot of exporters were eagerly waiting as a beacon of hope, especially in the wake of the COVID-19 pandemic. On account of these factors, a lot of exporters will have to either re-negotiate their pricing with the foreign buyers or consider this loss of benefit as a cost to the company. Either way, only time will tell whether the Central Government will re-consider any of these issues or not, which clearly are going to impact the exporter industry in many ways.

[The author is Partner, RSA Legal Solutions and the views expressed are strictly personal.]

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